



JEFFERSON TOWNSHIP

LINN COUNTY, MISSOURI

YEAR ENDED DECEMBER 31, 1999

**From The Office Of State Auditor  
Claire McCaskill**

Report No. 2000-12  
February 29, 2000

**AUDIT REPORT**



Office Of The  
State Auditor Of Missouri  
Claire McCaskill

February 2000

**Some problems were discovered as a result of an audit conducted by our office in response to the request of petitioners from the Jefferson Township, Linn County, Missouri.**

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The township did not establish a separate debt service fund to account for tax collections and the payment of the bond principal and interest. As a result, the township had no record of the amount of debt service revenues on hand each year. When computing the annual debt service tax rate, the township underreported the amount of debt service funds on hand, which resulted in an overcalculation of the required debt service tax rate. The township levied and collected \$29,681 in excess property taxes for the 1994 bond issue which remain in the township's general fund. Future debt service tax levies should be reduced by this amount.

The township did not properly pay, report compensation, and withhold payroll taxes for compensation paid to township officials.

The township board does not prepare formal budgets. The township prepares a schedule of the prior year's actual expenditures to use as a guide for monitoring current year's expenditures; however, this schedule does not contain all information required by state law. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for township operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures.

The township board does not publish annual financial statements and inventory listings as required by state law. At a minimum, the published financial statements should contain the beginning cash balance, actual receipts by source for the year, actual expenditures by major category for the year, and the ending cash balance.

State law requires the township to file annual financial reports with the State Auditor's office. The township did not prepare or file financial reports for the years 1993 through 1997. The 1998 financial report was not filed with the State Auditor's office until October 12, 1999. The financial reports are to be filed within four months after the end of the township's fiscal year (the requirement is six months after the end of the fiscal year if an audit report prepared by a certified public accountant is filed).

(over)

YELLOW SHEET

The township does not have a formal policy regarding public access to township records. A formal policy regarding access to township records would establish guidelines for the township to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records.

The Township Trustee was not bonded from April 1993 to April 1999, even though a bond is required by state law. On August 23, 1999, a bond was obtained in the amount of \$250,000, retroactive to April 1, 1999, and effective until March 31, 2000. In addition, the other two board members are co-signers on the bank account but are not bonded. Failure to bond all persons with access to assets exposes the township to risk of loss.

JEFFERSON TOWNSHIP  
LINN COUNTY, MISSOURI

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**CLAIRE C. McCASKILL**  
**Missouri State Auditor**

To the Board of Directors  
Jefferson Township  
Linn County, Missouri

The State Auditor was petitioned under Section 29.230, RSMo, to audit Jefferson Township, Linn County, Missouri. Our audit of the township included, but was not limited to, the year ended December 31, 1999. The objectives of this audit were to:

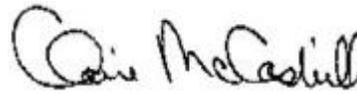
1. Perform procedures we deemed necessary to evaluate the petitioner's concerns.
2. Review compliance with certain constitutional provisions, statutes, and attorney general's opinions as we deemed necessary or appropriate in the circumstances.
3. Review certain management practices which we believe could be improved.

Our audit was made in accordance with generally accepted government auditing standards and included such procedures as we considered necessary in the circumstances. We also reviewed board minutes, policies, and various township financial records.

Our audit was limited to the specific matters described above and was based on selective tests and procedures considered appropriate in the circumstances. Had we performed additional procedures, other information might have come to our attention which would have been included in the audit of the township.

The accompanying History and Organization is presented for informational purposes. This information was obtained from the township and was not subjected to auditing procedures applied in the audit of the township.

The accompanying Management Advisory Report presents our findings and recommendations arising from our audit of Jefferson Township, Linn County, Missouri.

A handwritten signature in black ink, appearing to read "Claire McCaskill". The signature is written in a cursive style and is positioned above the printed name.

Claire McCaskill  
State Auditor

January 20, 2000 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits: Karen Laves, CPA  
Audit Manager: Mark Ruether, CPA  
In-Charge Auditor: Joel Abeln

## HISTORY AND ORGANIZATION

JEFFERSON TOWNSHIP  
LINN COUNTY, MISSOURI  
HISTORY AND ORGANIZATION

Jefferson Township is one of 14 townships in Linn County and is located in the south central region of that county. Linn County elected a township organization in 1837. There are approximately 68 miles of roads maintained by the township. The population of the township in 1990 was 793.

The township's elected Board of Directors (governing body) consists of the township trustee (board member), who serves as the ex officio treasurer, and two members of the township board. One of these two board members is appointed by the board as president. Other officers are the township clerk and the township collector. All officers are elected biennially and take office in April following the election.

Officers at December 31, 1999 were as follows:

	<u>Term Expires</u>	<u>Actual Compensation For the Year Ended December 31, 1999</u>	<u>Amount of Bond</u>
Galen Holloway, Trustee and Ex Officio Treasurer	April 2001	\$ 4,106	250,000
Stephen Speichinger, President	April 2001	329	
Randy Wade, Member	April 2001	329	
Karen Collier, Collector	April 2001	3,182	116,937
Margery Curley, Clerk	April 2001	503	

In addition to the elected officials, the township has one full-time employee.

Assessed valuation and tax rate information for 1999 and 1998 were as follows:

	<u>1999</u>	<u>1998</u>
<b>ASSESSED VALUATION</b>		
Real estate	\$ 4,151,667	4,299,328
Personal property	<u>2,189,736</u>	<u>1,941,814</u>
Total	<u>\$ 6,341,403</u>	<u>6,241,142</u>

**TAX RATES PER \$100 OF ASSESSED VALUATION**

General revenue	\$ 0.10	0.09
Road and bridge	0.39	0.37
Special road and bridge	0.35	0.31
Debt service	0.57	0.39

A summary of the financial activity of the Jefferson Township (excluding the Township Collector's accounts) for the years ended December 31, 1999 and 1998, is presented below:

	<u>1999</u>				<u>1998</u>
	General Account	Bond Account	Debt Service Account	Total	General Account
<b>RECEIPTS:</b>					
Property taxes	\$ 70,689	0	6,520	77,209	81,534
County sales tax	30,441	0	0	30,441	29,612
County CART distributions	8,156	0	0	8,156	11,235
FEMA distributions	18,017	0	0	18,017	0
Bond proceeds	0	125,000	0	125,000	0
Interest	2,190	1,039	152	3,381	2,077
Other	1,800	0	0	1,800	1,089
Total Receipts	<u>131,293</u>	<u>126,039</u>	<u>6,672</u>	<u>264,004</u>	<u>125,547</u>
<b>DISBURSEMENTS:</b>					
Salary and fringe benefits	22,806	0	0	22,806	22,506
Contract trucking	23,419	2,447	0	25,866	22,601
Rock	13,969	17,500	0	31,469	22,391
Road oil	0	2,142	0	2,142	0
Building lease	1,200	0	0	1,200	1,200
Equipment purchase	18,200	81,640	0	99,840	0
Equipment repairs	4,533	0	0	4,533	2,814
Payments to township officials	5,126	0	0	5,126	3,285
Debt service principal and interest	22,561	0	0	22,561	22,363
Insurance and legal fees	5,155	1,371	0	6,526	5,186
Fuel	5,061	0	0	5,061	5,224
Other	2,382	153	18	2,553	2,101
Total Disbursements	<u>124,412</u>	<u>105,253</u>	<u>18</u>	<u>229,683</u>	<u>109,671</u>
RECEIPTS OVER (UNDER) DISBURSEMENTS	6,881	20,786	6,654	34,321	15,876
CASH BALANCE, JANUARY 1,	56,798	0	0	56,798	40,922
CASH BALANCE, DECEMBER 31,	<u>\$ 63,679</u>	<u>20,786</u>	<u>6,654</u>	<u>91,119</u>	<u>56,798</u>

MANAGEMENT ADVISORY REPORT

JEFFERSON TOWNSHIP  
LINN COUNTY, MISSOURI  
SUMMARY OF FINDINGS

1. Bond Issues (pages 9-10)

The township did not establish a separate debt service fund to account for tax collections and the payment of the bond principal and interest. The township collected taxes of \$29,681 in excess of the amount required to pay the bond debt. In addition, the township board sells bonds by negotiated sales with one bank and should consider public competitive sales for future bond issues.

2. Township Officials' Compensation (pages 10-11)

Compensation paid to township officials did not comply with state law. The township did not properly report compensation and withhold payroll taxes for compensation paid to township officials.

3. Expenditures (pages 11-13)

The township does not have a formal bidding policy. Forms 1099 are not filed as required. The township pays its full-time employee bonuses which appear to violate the state constitution. The township does not require its employees to prepare time sheets.

4. Budgets and Financial Reporting (pages 13-14)

The township does not prepare formal budgets, does not publish annual financial statements and inventory listings, and did not submit some annual financial reports to the State Auditor's office, as required by state law.

5. Minutes, Meetings, and Records (pages 14-15)

Minutes were not maintained for some board meetings and the minutes did not always contain information as required by statute. Notices of meetings did not include tentative agendas. The township does not have a formal policy regarding public access to township records.

6. Accounting Records and Procedures (pages 15-16)

The township uses the date monies are deposited rather than the date monies are received when recording receipts in the general ledger. Checks are not restrictively endorsed immediately upon receipt. The trustee was not bonded for the period of April 1993 through April 1999, nor have other authorized check signers been bonded.

7. Road Maintenance (pages 16-17)

A formal maintenance plan for township roads has not been prepared. The township spent more money on roads within the City of Laclede than allowed by state law.

8. Township Collector's Accounting Records and Procedures (pages 17-18)

The Township Collector disposes of computerized and manual accounting records, such as bank reconciliations, account registers, and paid tax statements, at the conclusion of the tax year. Voided checks are not always retained. The Township Collector personally retained interest earnings of about \$300 annually, rather than distributing the interest to the various political subdivisions.

JEFFERSON TOWNSHIP  
LINN COUNTY, MISSOURI  
MANAGEMENT ADVISORY REPORT

<b>1.</b>	<b>Bond Issues</b>
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The township issued \$100,000 of general obligation road bonds in June 1994 which were paid off in March 1999. A new \$125,000 bond issue was approved and these bonds were issued and sold in July 1999. Both bond issues were for the purpose of providing funds for the construction, improvement, and maintenance of township roads, including the purchase of equipment necessary to carry out this purpose. We noted the following concerns related to these bond issues:

- A. The township levies property taxes to pay the bond principal and interest. A separate debt service fund has been established to account for the tax collections and the bond principal and interest payments for the 1999 bond issue; however, for the 1994 bond issue, all debt service property taxes were deposited into the township's general fund and all debt payments were made from the general fund.

Because of the lack of a separate accounting for debt service revenues and expenditures, the township had no record of the amount of debt service revenues on hand each year. When computing the annual debt service tax rate, the township underreported the amount of debt service funds on hand, which resulted in an overcalculation of the required debt service tax rate. The township levied and collected \$29,681 in excess property taxes for the 1994 bond issue which remain in the township's general fund.

Section 108.180, RSMo 1994, along with the township's bond ordinance requires a separate account for all monies derived from a debt service tax levy and restricts the use of such monies for the payment of interest and principal. The township should transfer \$29,681 from the general fund to the 1999 general obligation debt service fund and reduce future debt service property tax levies to offset these excess collections.

- B. Both the 1994 and 1999 bonds were sold by negotiated sales with the same bank. While the interest rates on these bonds do not appear unreasonably high, the township should consider competitive sales for future bond issues. Competitive sales involve the solicitation of bids from underwriting firms to purchase the bonds and sell them to the firm or group which offers the lowest interest cost. A public competitive sale promotes a fair process where all qualified underwriters have an opportunity to earn the business, and the public can be more confident that the bonds are awarded at the lowest possible cost without improper and costly insider and political conflicts.

**WE RECOMMEND** the Township Board:

- A. Transfer \$29,681 from the general fund to the 1999 bond debt service fund, and reduce future debt service property tax levies to offset these excess collections.
- B. Use competitive sales for future bond issues.

**AUDITEE'S RESPONSE**

- A. *We agree and intend to use the \$30,000 in repurchase agreement funds to service the bond debt. We will reduce future tax levies by this amount.*
- B. *We will take your recommendation under advisement; however, we believe we saved approximately \$800 to \$1,000 in attorney fees by selling the bonds through a negotiated sale. In addition, for the 1999 bond issue, we obtained more accurate information and instructions regarding setting up the necessary bond accounts.*

<b>2. Township Officials' Compensation</b>
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- A. Prior to August 1998, Section 65.230(1), RSMo 1994, established compensation for various township officials. That statute provided that each township board member (including the trustee) and the clerk were to receive a \$6 fee for the first board meeting in a month and \$2.50 for each subsequent board meeting that month. This section was revised in August 1998 and authorized the township board and clerk to receive up to \$25 per day for the first meeting each month and up to \$10 for each meeting thereafter during the month.

Compensation paid to township officials did not comply with the above statute. It appears for a number of years the township's policy has been to pay the board members and the clerk \$8 per meeting. In April 1999, the board changed this policy to \$25 per meeting (in accordance with the revised statute). In addition, the Township Clerk received a commission of five percent on the total payroll taxes remitted to the federal government, even though this fee does not appear to be authorized by statute.

Although the amount of additional compensation paid to township officials as a result of these matters does not appear significant, the township board should review this situation and ensure any future compensation paid to township officials is in accordance with state law.

- B. The township does not properly report compensation, withhold payroll taxes, or pay the employer's share of social security on the commissions and/or fees paid to the board

members, trustee and ex officio treasurer, and the township clerk. The total compensation paid to these officials during 1999 totaled \$5,267.

The Internal Revenue Code requires employers to report such compensation on W-2 forms and withhold federal income taxes. Similarly, Chapter 143, RSMo 1994, includes requirements for reporting such compensation and withholding state income taxes. State and federal laws require employers to withhold payroll taxes and pay the employer's share of social security on the compensation paid to employees. Section 105.300, RSMo 1994, defines an appointive officer or employee of a political subdivision as an employee for social security purposes.

**WE RECOMMEND** the Township Board:

- A. In the future ensure compensation paid to township officials complies with state law.
- B. Ensure payroll taxes are properly withheld and remitted for any commissions or fees paid to township officials. In addition, the board should ensure that such compensation is properly reported on W-2 forms and social security taxes paid, including 1999.

**AUDITEE'S RESPONSE**

*We agree with these recommendations and are currently complying.*

<b>3. Expenditures</b>
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- A. The township does not have formal written bidding policies and procedures. As a result, the decision of whether to solicit bids for a particular purchase is made on an item by item basis. Bids were not solicited for insurance and officials' bonds. Additionally, the township solicited bids for the purchase of a road grader and road rock and hauling; however, the lowest bids were not selected, and justifications for selecting higher bids were not adequately documented. For road rock and hauling, township officials indicated the low bidder did not provide sufficient information in the bid; however, the board just accepted the higher bid instead of requesting additional information from the low bidder.

Formal bidding procedures for major purchases provide a framework for economical management of township resources and help ensure the township receives fair value by contracting with the lowest and best bidders. Competitive bidding also helps ensure all parties are given an equal opportunity to participate in the township's business. Bids can be obtained by telephone quotation, written quotation, sealed bid, or advertised sealed bid. Various approaches are appropriate, based on the dollar amount and type of purchase. Whichever approach is used, complete documentation should be maintained of all bids received and the reasons for selecting the winning bid.

- B. The township does not file Forms 1099 with the Internal Revenue Service (IRS). The Internal Revenue Code requires payments of \$600 or more for services by nonemployees (other than corporations) be reported to the federal government on Forms 1099. During 1998, the township paid \$22,601 for rock hauling and \$2,814 for equipment repairs which was not reported to the IRS. Similarly, 1999 payments for rock hauling (\$25,866) and equipment repairs (\$4,533) should be reported to the IRS in January 2000.
- C. The township has one full-time employee who was paid a \$300 bonus in December 1999. Similar bonuses have been paid in previous years.

These bonuses appear to represent additional compensation for services previously rendered and, as such, are in violation of Article III, Section 39 of the Missouri Constitution and Attorney General's Opinion No. 72, 1955 to Pray, which states, "...a government agency deriving its power and authority from the constitution and laws of the state would be prohibited from granting extra compensation in the form of bonuses to public officers after the service has been rendered."

- D. Documentation of actual time worked, such as a time sheet, is not available to support payroll expenditures. In addition to the full-time employee, the township utilizes a part-time employee to assist with emergency snow removal. Neither employee prepares time sheets. Time records should be prepared by the employees, approved by the township board, and filed with the township's payroll records.

**WE RECOMMEND** the Township Board:

- A. Establish formal bidding policies and procedures, including documentation requirements regarding the bids or quotes received and justification for the bid selected. In addition, when insufficient information is provided by a lower bidder, the board should consider obtaining additional information from the bidder instead of just selecting a higher bid.
- B. Ensure that IRS Forms 1099 are filed as required for prior years as well as in the future.
- C. Discontinue paying bonuses to the township employee.
- D. Require township employees to complete time sheets which reflect actual time worked and leave taken. The records should be prepared by employees, approved by the township board, and filed with township's payroll records.

**AUDITEE'S RESPONSE**

- A. *We agree with this recommendation and have already implemented a formal written bid policy.*

- B. *We agree with this recommendation and are currently complying with the Internal Revenue Service Code.*
- C. *These payments were intended as part of the employee's total compensation. In future years, we will budget this payment as a part of the employee's total compensation.*
- D. *We will take this recommendation under advisement.*

<b>4. Budgets and Financial Reporting</b>
---

- A. The township board does not prepare formal budgets. The township prepares a schedule of the prior year's actual expenditures to use as a guide for monitoring current year's expenditures; however, this schedule does not contain all information required by state law.

Section 67.010, RSMo 1994, requires each political subdivision to prepare an annual budget, and Sections 67.010 to 67.080, RSMo 1994, set specific guidelines for the format, approval, and amendments of the annual operating budget. A complete budget should include separate revenue and expenditure estimations, and include the beginning available resources and reasonable estimates of the ending available resources. The budget should also include a budget message and comparisons of actual revenues and expenditures for the two preceding fiscal years.

A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost and revenue expectations for township operations. A budget can also provide a means to effectively monitor actual costs by periodically comparing budgeted amounts to actual expenditures. Further, Section 65.380, RSMo 1994, requires the township board to prepare and file with the county clerk an annual estimate of the amount of money required to defray the expenses of the township.

- B. The township board does not publish annual financial statements and inventory listings as required by state law. Section 231.280, RSMo 1994, requires the township to publish annual financial statements and inventory listings in any newspaper of general circulation within the township which is published in the county. Publication of annual financial statements would allow residents to be better informed as to the township's financial activity and condition.

At a minimum, the published financial statements should contain the beginning cash balance, actual receipts by source for the year, actual expenditures by major category for the year, and the ending cash balance.

- C. Section 105.145, RSMo 1994, requires the township to file annual financial reports with the State Auditor's office. The township did not prepare or file financial reports for the years 1993 through 1997. The 1998 financial report was not filed with the State Auditor's office until October 12, 1999. The financial reports are to be filed within four months after the end of the township's fiscal year (the requirement is six months after the end of the fiscal year if an audit report prepared by a certified public accountant is filed).

**WE RECOMMEND** the Township Board:

- A. Prepare annual budgets in accordance with state law. The board should periodically compare actual revenues and expenditures with budgeted amounts to monitor township finances.
- B. Ensure annual financial statements and inventory listings are published in accordance with state law.
- C. File annual financial reports with the State Auditor's office as required by state law.

**AUDITEE'S RESPONSE**

- A. *We agree with this recommendation and are currently complying with state law.*
- B. *We will comply with this recommendation.*
- C. *We are currently complying with this recommendation.*

<b>5. Minutes, Meetings, and Records</b>
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- A. In June 1999, the township board minutes indicated that two board members were compensated for attending six additional meetings and the township trustee for attending three additional meetings during April and June 1999. These additional board meetings were held to discuss the purchase of a new road grader with prospective vendors. The township board did not prepare minutes for these additional meetings.

In addition, the minutes of the board meetings did not always contain information required by statute. When the minutes indicated a motion had been passed, the minutes did not generally indicate the number of votes for and against.

Section 610.020, RSMo Cumulative Supp. 1999, requires a journal of minutes shall be taken and retained of all open meetings of a public governmental body and requires the minutes to include a record of votes taken. Complete and accurate board minutes should be maintained as a record of board decisions.

- B. The township gives adequate advance notice of their meetings; however, the notice does not include a tentative agenda. Section 610.020, RSMo Cumulative Supp. 1999, requires the notice of the meeting to include the time, date, and place of the meeting, as well as a tentative agenda.
- C. The township does not have a formal policy regarding public access to township records. A formal policy regarding access to township records would establish guidelines for the township to make records available to the public. This policy should establish a person to contact and an address to mail requests for access to records. Section 610.023, RSMo Cumulative Supp. 1999, lists requirements of making township records available to the public.

**WE RECOMMEND** the Township Board:

- A. Prepare minutes for all board meetings and ensure the minutes include records of all votes taken.
- B. Include a tentative agenda in the notice for all board meetings as required by state law.
- C. Establish a formal policy regarding public access to township records.

**AUDITEE'S RESPONSE**

*A&B. We are currently complying with these recommendations.*

*C. We have been complying with the Sunshine Law but will develop a formal policy.*

**6. Accounting Records and Procedures**

- A. The Township Trustee uses the date monies are deposited rather than the date received in the general ledger. To provide better accountability over funds, the date received should be recorded in the general ledger for all receipts.
- B. Checks are not restrictively endorsed. The bank applies the restrictive endorsement to checks as they are deposited. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.
- C. The Township Trustee was not bonded from April 1993 to April 1999, even though a bond is required by Section 65.640, RSMo 1994. On August 23, 1999, a bond was obtained in the amount of \$250,000, retroactive to April 1, 1999, and effective until March 31, 2000. In addition, the other two board members are co-signers on the bank account

but are not bonded. Failure to bond all persons with access to assets exposes the township to risk of loss.

**WE RECOMMEND** the Township Board:

- A. Record the date received in the general ledger for all receipts.
- B. Restrictively endorse all checks immediately upon receipt.
- C. Ensure the Township Trustee is bonded in accordance with statutory requirements. In addition, the board should consider obtaining bond coverage for all individuals who are authorized check signers.

**AUDITEE'S RESPONSE**

- A. *We will take this recommendation under advisement.*
- B. *Checks are currently endorsed as they are received.*
- C. *The trustee will continue to be bonded as required, and we will consider obtaining bond coverage for the other board members.*

<b>7. Road Maintenance</b>
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- A. A formal maintenance plan for township roads is not prepared. A maintenance plan should be prepared in conjunction with the annual fiscal budget and include a description of roads to be worked on, the type of work to be performed, an estimate of the quantity and cost of materials needed, the dates such work could begin, the amount of labor required to perform the work, and other relevant information. The plan should be included in the budget message and be approved by the board. In addition, the board should consider holding a public hearing to obtain input from township residents.

A formal maintenance plan would serve as a useful management tool and provide greater input into the overall budgeting process. Such a plan provides a means to more effectively monitor and evaluate the progress made in the repair and maintenance of roads throughout the year.

- B. Beginning in 1999, the township keeps records of the amount of money spent on roads within the city limits of Laclede. These records indicate approximately \$5,400 was spent on roads within the city limits during 1999.

Section 65.295, RSMo 1994, states that a township may not expend more than one-fourth of the tax revenue generated from property within a city on the roads that are within the city. Although the city did not keep track of the amount of property taxes generated within the city of Laclede, it appears the township received approximately \$10,000 in road and bridge property taxes from city residents based on the city's assessed valuation. Therefore, the township should have only spent a maximum of approximately \$2,500 on roads within the city limits.

The board should review this matter and ensure it complies with state law.

**WE RECOMMEND** the Township Board:

- A. Prepare and document a maintenance plan at the beginning of the calendar year and periodically update the plan throughout the year. In addition, the board should review the progress made in the repair and maintenance of roads to make appropriate decisions on future projects.
  
- B. Keep expenditures on roads in the City of Laclede within the statutory limit.

**AUDITEE'S RESPONSE**

*We will take these recommendations under advisement.*

<b>8. Township Collector's Accounting Records and Procedures</b>
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- A. The Township Collector maintains computer and manual records to account for the transactions of her money market and checking accounts. Computer records, consisting of account registers, bank reconciliations, and paid tax statements, were not properly retained. The Township Collector currently disposes of the manual records and deletes the computer files once the tax year has ended and the Ex Officio County Collector has issued an annual settlement. Retention of the original copy of applicable records is necessary to properly account for all monies received and disbursed. In addition, the Missouri Secretary of State has established record retention guidelines for local government officials.
  
- B. Voided checks are not always retained. To ensure all checks are properly accounted for, all voided checks should be properly defaced and retained.
  
- C. At the end of each fiscal year, the Township Collector pays out the amount of taxes owed to each political subdivision and then retains any monies left in the account. This resulted in the Township Collector retaining \$318 and \$327 more than the amount calculated on the annual settlements filed with the Ex Officio County Collector for the years ended

February 28, 1999 and 1998, respectively. These monies primarily resulted from interest earned on tax receipts held in her official account.

Section 139.430(4), RSMo 1994, allows for the Township Collector to retain a commission based on a formula of current taxes collected. This is the only source of commissions or payments to the Township Collector that are allowed by state law.

**WE RECOMMEND** the Township Collector:

- A. Retain the original copies of applicable records in accordance with the Secretary of State's guidelines.
- B. Ensure all voided checks are defaced and retained
- C. Ensure future commissions are retained in accordance with state law. We also recommend the Township Collector distribute interest earned to the political subdivisions.

**AUDITEE'S RESPONSE**

- A. *This will be done for tax year 1999.*
- B. *This will be done in the future.*
- C. *Approximately \$60 per year of the amounts retained includes commissions for drainage district collections. In the future, tax collections will be kept in non-interest bearing accounts.*

This report is intended for the information of the township's management and other applicable government officials. However, this report is a matter of public record and its distribution is not limited.

\* \* \* \* \*